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SUBJECT: LULA'S POPULARITY TICKS UPWARD ON ECONOMIC OPTIMISM

REF: SAO PAULO 1138

1. SUMMARY. A CNT/Sensus poll released August 10 in Brazil shows that President Lula da Silva's approval ratings have ticked upwards to 58%, after slipping steadily since he took office. Similarly, the GoB's approvals, which tend to run lower than Lula's personal numbers, also showed signs of recovery, jumping to 38%. The uptick seems to be based on incipient signs of an economic recovery and an improved political climate. If the trend continues in the coming months, it could strengthen Lula's legislative hand in Congress and improve the prospects for Workers' Party (PT) candidates in October's nationwide municipal elections. END SUMMARY.

2. A CNT/Sensus poll released in Brazil on August 10 shows that President Lula's personal approval ratings improved by four points, to 58%, since June. Still substantially lower than the 84% approval he enjoyed when he took office in January 2003, the increase suggests that Lula is recovering from his administration's nadir in early 2004. Similarly, the GoB's approvals improved by nine points to 38%.

APPROVAL RATINGS - CNT/SENSUS POLLING

	1/03	8/03	2/04	6/04	8/04
Lula	84%	77%	65%	54%	58%
GoB	57%	48%	40%	29%	38%

3. The nadir of this administration began in February 2004 with the "Waldomiro scandal", which weakened the government and led to a series of well-publicized defeats in Congress and acrimonious debate over the minimum wage that continued through June. At the same time, the economy --and particularly employment figures-- were stubbornly sluggish despite a year of fiscal austerity. But over the past several weeks the economic news has begun to improve with strengthening wage and employment figures. The poll revealed that respondents' satisfaction with health and education has also ticked up since June, and 46% of respondents believe the economy's performance will improve their quality of life.

4. Paralleling Lula's improvement, Marta Suplicy, the Workers' Party (PT) incumbent running a tough campaign to keep her seat as Sao Paulo's Mayor, also saw her numbers strengthen, according to Datafolha polling (reftel). Marta was trailing challenger Jose Serra (PSDB) by fifteen points in May but has taken the lead by 30%-25%, with Paulo Maluf dropping to 19%. However, if no candidate wins a majority in the October 3 voting, a second round will be held on October 31, and Serra still leads Marta in second-round projections by 52-38%. Nationwide, the PT is running competitively in the mayoral races in at least 12 of the 26 state capitals.

5. COMMENT. Lula and the GoB are surely breathing a sigh of relief that they seem to have emerged from the slump of early 2004. This trend may be based on a combination of factors: the economy's finally responding to eighteen months of fiscal austerity, the government's regaining its traction after the Waldomiro scandal, or --as some pundits suggest-- now that Lula's honeymoon has ended, the public has reduced its unrealistically high expectations for his administration. Of course, this confidence is worth little unless it carries some political agency. The true test of Lula's recovery is whether it translates into victories in the October municipal elections and whether it strengthens the administration's hand when Congress gets back to business in November. DANILOVICH